

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

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Contact Telephone Number:

UIL 4945.04-04

LEGEND

B = individual
C = business.
D = foundation
E = university
F = school of management
Y = scholarship fund

Dear :

We have considered your request dated November 11, 2011, for advance approval of the amendments you have made to your approved employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code. This letter supersedes our prior advance approval letter dated May 30, 1990.

Our records indicate that you were recognized as exempt from federal income tax under section 501(c)(3) of the Code and classified as a private foundation as defined in section 509(a).

You were established by B, who is a substantial contributor within the meaning of section 4946(a)(1)(A) and 507(d)(2), and your foundation manager within the meaning of section 4946(a)(1)(b) of the Code. B is a controlling shareholder of C, who is also a disqualified person within the meaning of section 4946(a)(1)(E) of the Code with respect to you.

C is represented as the company itself and any related entities, defined as any entity in which C holds a fifty percent or greater interest in the total voting power of the stock of such entity; and businesses, foreign or domestic, managed or franchised by C or other C related Entities.

D is a tax exempt organization under section 501(c)(3) and an organization described in section 170(b)(1)(a)(iv) of the Code. It is organized for the benefit of E. E operates F, which is a school within E named in honor of B.

You and D executed a pledge agreement under which you have agreed to give D a certain sum of money at various intervals for the various purposes of E. The agreement calls for the segregation of a portion of the money to endow a scholarship fund, which will be known as Y.

Under the terms of the Y endowment, scholarships may be awarded to persons enrolled in F who are freshmen and sophomores enrolled in E's College of Liberal Arts who intend to take a business curriculum. Freshmen and sophomores must apply for admission to F. The scholarship will also be available to juniors, seniors, and graduate degree candidates enrolled at F.

Potential grantees for scholarships under Y will be either Tier One or Tier Two applicants. Tier One applicants are: i) employees of C and ii) children, adopted children and grandchildren thereof. There is no minimum period of time that an employee must work with C to be eligible. The potential grantee must make certain representations with respect to his/her ability to be admitted to, or be able to be admitted to F. In the event a recipient is no longer enrolled in, or able to be enrolled in F, he/she will not be eligible for scholarships. However, past grants received will not be required to be repaid. This restriction will be publicized by E in appropriate student publications.

Applicants under Tier Two would be individuals who are currently enrolled in any of the accredited programs at F. This would include any enrolled students who are U. S. Citizens, permanent residents of the U. S., and enrolled students who are not U. S. citizens but are in the U. S. lawfully on a non-temporary or temporary basis, such as on a student visa. Applicants from this tier will only be considered for scholarships in situations where insufficient grants are awarded to Tier One individuals.

Tier One grants will continue to meet the percentage limitations for employer-related plans. Tier Two scholarships would not be subject to the percentage limitations. It will be the discretion of your independent selection committee to determine the exact number and amount of the scholarships to award in any given year. However, you initially expect to award at least one to two grants per year, or between five and seven in the aggregate, including renewals, based on the amount available in a given year as outlined in your Pledge Agreement.

C, for its part, will use its best efforts to publicize Y, with you and D identified as the grantor of the scholarships in any advertisement.

The amount of the scholarship will be determined by the selection committee and may include amounts needed to assist in defraying the costs of tuition, room, board, books, and other educational supplies. Any portion of a scholarship grant allocated to the payment of tuition, housing or food service shall be remitted directly to the E at the appropriate time(s).

You and D indicate that Y will not be used for recruitment or inducement of employees of C, or the employees of the business managed by, or franchised by C.

The selection committee will consist of individuals appointed by F and who are wholly independent from you, your organizers, and C. No individual who is or at any time was an employee, officer, director, or controlling shareholder of C may serve on the selection committee.

Scholarships will be awarded solely in the order recommended by the selection committee, which will base its decisions solely on substantial objective standards unrelated to the employment of the recipient, parents, grandparents, or to C's line of business.

The selection of scholarship recipients shall be based on the selection committee's evaluation of an applicant's academic record, performance on scholastic aptitude tests, recommendations from instructors and/or other disinterested persons, financial need, performance in personal interviews with the representatives of the committee and other objective criteria developed time to time by you. The relative weight to be given to each of these criteria in the selection process shall be determined from time to time by the selection committee.

You and D further represent that scholarships will not be terminated or renewed on the basis of the recipients, parents', or grandparents' employment with C, or the termination of a management or franchise relationship where a managed entity or franchise is involved.

Courses of study are not limited to those that would be of particular benefit to C. Grants are to be awarded for the purpose of enabling recipients to obtain an education in their individual capacities for their benefit and will not include any commitments, understandings, or obligations suggesting that the studies are to be undertaken for the benefit of you or C. There is no requirement, condition or suggestion, express or implied, that recipients must render future employment services.

You will obtain reports from D to determine whether grantees have performed the activities the grants were intended and you will investigate misuse of funds.

You agree to insure compliance with the appropriate percentages tests set forth in Rev. Proc. 76-74 in the aggregate with respect to the scholarship funds to be awarded to tier One recipients. At the present time, you intend to qualify under the 25 percent test but you reserve the option to qualify under the 10 percent at such time actual data of the number of children and grandchildren who are eligible for scholarships is obtained. For purposes of rev. Prov. 76-47, you will include the employees, children, and grandchildren of C.

You agree to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Applicable to both Tier One and Tier Two Grants:

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Applicable only to Tier One Grants:

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the

selection of individual grant recipients will be made by a selection committee the members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Applicable to both Tier One and Tier Two Grants:

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that

no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations

Enclosures:
Notice 437
A copy of the redacted letter